A PROPOSAL FOR REFINANCING THE SOCIAL SECURITY RETIREMENT INSURANCE PROGRAM TO ENSURE LONGEVITY

by
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Abstract

Per the SSA's estimates, the population of the United States will shift gradually to have more senior citizens with higher mortality rates than working-age citizens. As a result, the current "pay-as-you-go" structure of the program will need to shift to accommodate the American population's needs. Without funding in the Retirement Insurance Program, any American citizen who has paid U.S. Social Security taxes throughout their time of employment will not receive any benefits. The number of retirement-age Americans will increase from the 56 million people it supports today to over 78 million people by 2035. Until the projected "depletion" year of 2033, the program consists of funds paid forward by the generations that will never reap the benefits. Without the Retirement Insurance, around 180 million workers would not receive pension coverage. The procedures for analyzing this problem will be conducted through studying the history of the Social Security Act, key actors, and relevant historical Amendments to the bill. Additional methods include a policy and political analyses of the proposed Amendments in this dissertation. The results of these analyses demonstrated that this refinancing policy will be successful in restoring immediate funding for the Retirement Insurance program trust funds and amending the structure of the program to ensure longevity of the trust funds for the next 50 years. This analysis concluded that since this policy only seeks to establish changes to the trust funds of the Retirement Insurance program that has been done before, this policy is not any different in feasibility or application than those Amendments enacted historically.

Advisors: Paul J. Weinstein Jr., Nicole R. Cosey

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Years	Present law	Committee amendment
1978	$17,700	$17,700
1979	18,900	19,500
1980	20,400	21,000
1981	21,900	23,100
1982	23,400	24,600
1983	24,900	26,700
1984	26,400	28,200
1985	27,900	30.300

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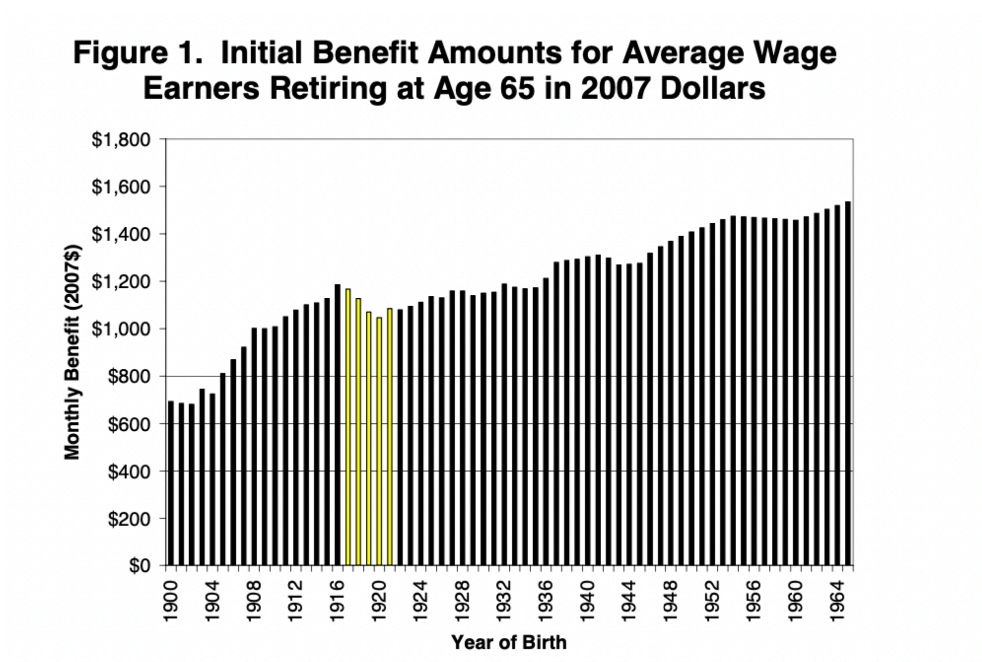

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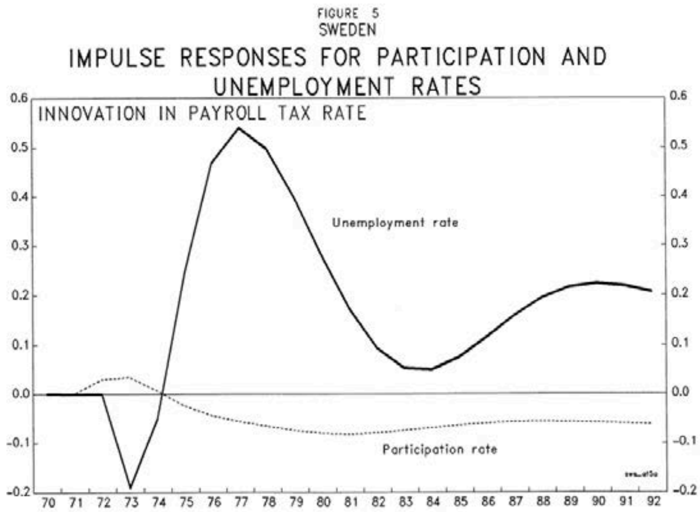

Thomas, Alun. Working paper. *The Effects of Tax Wedges on Hours Worked and Unemployment in Sweden*, 1998. *Page 35.*

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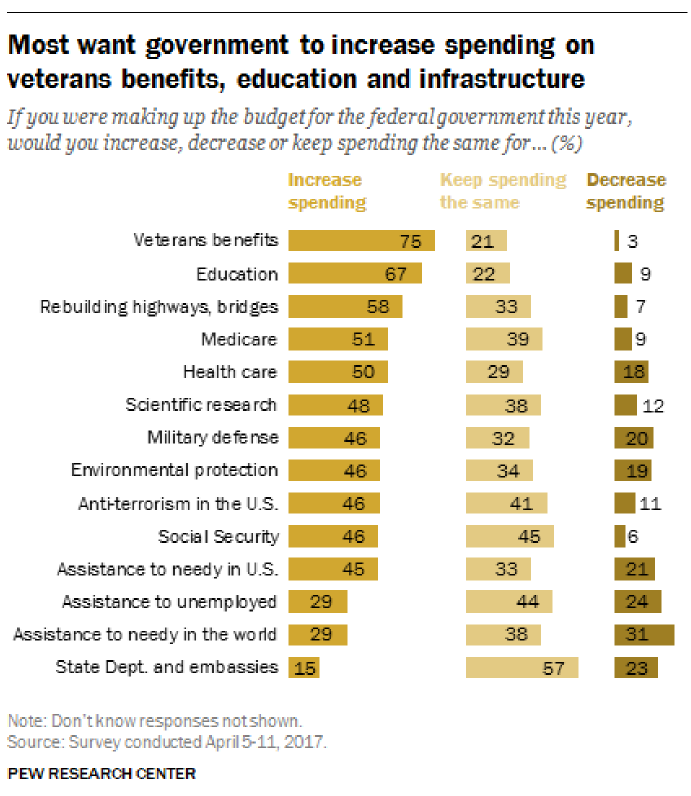

Pew Research Center, April, 2017, "With Budget Debate Looming, Growing Share of Public Prefers Bigger Government". *Page 38.*

Action-Forcing Event

The past week the Social Security Administration released the 2021 annual report showing that The Social Security Old-Age and Survivors Insurance Trust Fund will be depleted in 2033, a year earlier than estimated in previous reports[1]. This report demonstrated a change in the projections on the longevity of other Social Security Programs as well, including Medicare[2].

Statement of the Problem

According to the Center on Budget and Policy Priorities, the Retirement Insurance Program makes up at least 50 percent of income for half of the seniors in America today and provides at least 90 percent of the income for a quarter of seniors[3]. Without these benefits, most retired seniors would have incomes below the official poverty line[4]. As it stands today, retired seniors make up a little less than 15 percent of the population, but that number is set to multiply in the next ten years. Looking at the estimated size of the population that will have incomes above the official poverty line in the next decade, it would be fair to assume that the depletion of the program would establish a lower quality of life and increase financial strains on senior households on a national level. This exists beyond the fact that around 92 percent of seniors have at least one chronic disease[5], which would not only skyrocket the national poverty rate, but it would also lower the national life expectancy and disproportionately affect minority households. These effects

[1] Hinkle, Mark. "Social Security Administration Press Release 8.31." SSA, 2021. https://www.ssa.gov/news/press/releases/2021/#8-2021-2.
[2] Rappeport, Alan, and Margot Sanger-Katz. "Social Security Is Projected to Be Insolvent a Year Earlier than Previously Forecast." The New York Times. The New York Times, August 31, 2021. https://www.nytimes.com/2021/08/31/business/economy/social-security-funding.html.
[3] "Top Ten Facts about Social Security." Center on Budget and Policy Priorities. Accessed September 12, 2021. https://www.cbpp.org/research/social-security/top-ten-facts-about-social-security.
[4] "Social Security Dramatically Cuts Poverty among Seniors." Center on Budget and Policy Priorities, 2018. https://www.cbpp.org/social-security-dramatically-cuts-poverty-among-seniors-9.
[5] Smith, Suzannah. "10 Common Elderly Health Issues." Vital Record - News from Texas A&M Health, June 25, 2018. https://vitalrecord.tamhsc.edu/10-common-elderly-health-issues/.

will speak to those seniors currently receiving benefits from the Retirement Insurance Program who have planned on receiving the same level of revenue for at least two decades, and those generations currently paying into the program nowhere near the retirement age at a magnified level.

Without funding in the Retirement Insurance Program [program], any American citizen who has paid U.S. Social Security taxes throughout their time of employment will not receive any benefits. As the program stands today, these benefits only apply to any individual who is at least 62 years old, and who has earned enough Social Security credits over their time employed. Currently, the number of Americans within this demographic are around 56 million people. This number only looks to increase as time goes on, due to increasing life expectancy and declining fertility rates;[6] this means that the number of retirement-age Americans will increase from the 56 million people it supports today to over 78 million people by 2035.

According to projections by the Social Security Administration [SSA], not only will the elderly population double in percentage in the next 60 years, but the working-age population will also have shrunk by over 50 percent within the same timeframe[7]. These trends in population growth show us that not only will there be a steady decline in those paying into this retirement program, but there will also be more recipients moving forward. Regardless of the current steady depletion of this program, these estimates show us that there will not be an intrinsic growth in the pay cycle to sustain the program either.

[6] Reznik, Gayle L., Dave Shoffner, and David A Weaver. "Coping with the Demographic Challenge: Fewer Children and Living Longer." Social Security Administration Research, Statistics, and Policy Analysis, April 1, 2007. https://www.ssa.gov/policy/docs/ssb/v66n4/v66n4p37.html.

[7] Reznik, Gayle L., Dave Shoffner, and David A Weaver. "Coping with the Demographic Challenge: Fewer Children and Living Longer." Social Security Administration Research, Statistics, and Policy Analysis, April 1, 2007. https://www.ssa.gov/policy/docs/ssb/v66n4/v66n4p37.html.

Per the SSA's estimates, in the years to come, the population of the United States will shift gradually to have more senior citizens with higher mortality rates than working-age citizens. As a result, the current "pay-as-you-go" structure of the program will need to shift to accommodate the American population's needs. In order to understand the demographics that will be disproportionately affected by the depletion of the program, it is vital to know the generations of Americans that currently pay into the program – but as it stands today – will not benefit. According to The Pew Research Center, those born between the years 1965-1980 are classified as "Generation X", those born between 1981-1996 are classified as "Millennials", and those born from 1997 to 2012 are classified as "Generation Z"[8]. These Americans – albeit in total a smaller demographic than those currently receiving benefits – within these age groups are currently paying into the program and will receive little to none of the benefits by 2033.

The depletion of the Retirement Insurance Program by 2033 will affect all employed Americans, beginning with Generation X onwards. Until the projected "depletion" year of 2033, the program consists of funds paid forward by the generations that will never reap the benefits. Without the Retirement Insurance, around 180 million workers would not receive pension coverage – as it stands today, 48 percent of the workforce in private industry do not have private pension coverage, while only 68 percent of workers are saving for retirement[9].

Given that around 32 percent of the current population have no retirement savings at all, not including the 48 percent of the private industry workforce without private pension

[8] Dimock, Michael. "Defining Generations: Where Millennials End and Generation Z Begins." Pew Research Center. Pew Research Center, May 29, 2021. https://www.pewresearch.org/fact-tank/2019/01/17/where-millennials-end-and-generation-z-begins/.
[9] "Social Security Fact Sheet." Social Security Administration, December 2020. https://www.ssa.gov/news/press. https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf

coverage, it can be said that the number of Americans currently at risk for not achieving early retirement with adequate savings or will struggle at poverty-level income post-retirement is unfathomable. Currently, pension alone – in tandem with Medicare coverage – is expected to cover all living expenses, including health insurance, expenses for living arrangements, and any out-of-pocket healthcare expenses. Aside from private pension coverage, retired workers currently receive at least $1,507.53 in average monthly benefits[10], which are nowhere near the monthly costs for the average senior healthcare costs. The average expenditure that senior households spend on healthcare costs comes to around $6,833 a year, and the costs will only continue to rise as the number of retired seniors increase.

As mentioned previously, majority of senior household income levels would fall to below the official poverty line without the program, not only for the current Americans at retirement level, but those classified as "Generation X" onwards. When poverty rates increase, especially in a demographic where majority of the spending goes towards healthcare costs, it has a regressive effect on the economy's output and growth. Additionally, with the Retirement Insurance Program depleting, so does the current safety net that exists for those hoping to retire at an early age, or even at all. With the projection that the Social Security Funds – including Medicare and the Retirement Insurance Program – will be depleted in 2033; this adversely affects the same recipients of the Retirement Insurance Program benefits, since majority of these Americans are receiving Medicare coverage as well.

[10] "How Much Will I Get from Social Security?" AARP. Accessed September 13, 2021. https://www.aarp.org/retirement/social-security/questions-answers/how-much-social-security-will-i-get.html.

In a comparison of OECD countries in 2012, the U.S. had the highest poverty rate, and the lowest percentage point analysis on the extent to which taxes and transfer programs reduce the relative poverty rate as well[11]. In this study, the U.S. had a poverty rate of 17.3 percent, and a 9.7 percentage point on the latter study. This analyzed the extent to which transfer programs and taxes reduce the relative poverty rate, studying redistribution programs present through OECD country's market outcomes, minimum wage, level of unionization, and income calculations. Without the safety net that the Retirement Insurance Program provides, the poverty rate is only set to increase, with an inverse depletion in the tools that contribute to mitigating the relative poverty rate. In order to understand the way in which Social Security serves as a safety net for millions of Americans, it is vital to understand its history and its funding cycle that led to its current state today.

The original Social Security Act – spurred on by the Great Depression and the need for a structural security net – passed in 1935 with the use of trust fund ratios and reserve funding, primarily with the unemployment insurance program and Supplemental Security Income (SSI) program[12]. Trust fund ratios – the proportion of a year's projected outgo that can be paid with the funds available at the beginning of the year, also known as a comparison of assets to expenditures[13] – have reduced since the changes were made to pay-as-you-go financing, with the increase of Baby Boomers retiring. However, as we

[11] Gould, Elise, and Hilary Wething. "U.S. Poverty Rates Higher, Safety Net Weaker than in Peer Countries." Economic Policy Institute, July 24, 2012. https://www.epi.org/publication/ib339-us-poverty-higher-safety-net-weaker/.
[12] Martin, Patricia P, and David A Weaver. "Social Security: A Program and Policy History." Social Security Administration Research, Statistics, and Policy Analysis, September 1, 2005. https://www.ssa.gov/policy/docs/ssb/v66n1/v66n1p1.html.
[13] "A Stochastic Model of the Long-Range Financial Status of the OASDI Program." The United States Social Security Administration, September 2004. https://www.ssa.gov/oact/NOTES/as117/LR_Stochastic_VA.html.

can see with the change in the future population's demographics, this financing method does not ensure the longevity of the program.

Since then, the poverty rate among seniors has fallen because of the amount of income that they receive through benefits from Social Security. In the years since the creation and adjustments of the Social Security Program, adjustments for life expectancy, trust fund ratios, and the mortality rate haven't been made. As a result, the depletion of the Retirement Insurance Program will affect everyone born at least between 1971 and 2015 – they will not receive pension, benefits, or return on the Social Security payments that all these impacted Americans have made during their time employed.

This change will not establish any returns to the millions of these impacted Americans who made monthly payments into Social Security and will force all these generations to turn retirement savings to the private industries, the stock market, and other savings accounts. As it stands today, only 68 percent of workers are saving for retirement aside from Social Security; should there be no change in the way everyone ages 50 and below saves, this shift ensures that the national retirement age will skyrocket, and retirement savings will shift to private accounts, if any.

History/Background

During the 74th session of Congress in 1935, President Roosevelt proposed his legislation to the legislative branch, where it was introduced in the House to the Committee on Ways and Means and the Senate to the Finance Committee. From the deliberation of the bill in the Committee on Ways and Means, the changes made in the draft legislation were to create a Board of Trustees and establish the Social Security Administration as an independent agency. Not only did the bill pass adopting the changes from the House

Committee, but this revision established precedent for the Committee to review Social Security Amendments moving forward.

The Social Security Bill was signed by President Franklin Delano Roosevelt on August 14th, 1935, to enact comprehensive unemployment insurance and old age insurance – the second which we know today as the Retirement Insurance program[14]. In the original provisions of the act, benefits were based on payroll tax contributions that the worker made during their time employed, and only applied to the primary worker when they retired at 65 years old. Following the assignment of Social Security numbers, the first Federal Insurance Contributions Act taxes were collected in January 1937, which have since been directed towards the Social Security Trust Funds – currently used to pay out future benefits.

In the passage of the bill was the understanding that the chairmen – chair and ranking member –of the Ways and Means and Finance Committees would appoint a special joint committee to investigate the coverage of the Retirement Insurance program and would report on their findings each congressional year. In the years since 1935, The chairmen of the Ways and Means and Finance Committees have introduced provisions for the Social Security Act in the Amendments of 1939, 1967, 1972, 1977, 1980, 1981, 1983, and 1996[15].

When the trust funds were originally established in 1939, part of the Social Security Amendments included the formation of a Board of Trustees. This Board consists of the Secretary of Treasury, the Secretary of Labor, the Chairman of the Social Security

[14] "Social Security." Social Security History. Accessed October 3, 2021. https://www.ssa.gov/history/orghist.html.
[15] Breslauer, Tamar B., and William R. Morton. "Social Security: Major Decisions in the House and Senate Since 1935 RL30920." Congressional Research Service, February 19, 2021. https://crsreports.congress.gov.

Advisory Board, Secretary of Health and Human Services[16] and adopted the roles of two Public Trustee positions from the 1983 Amendments – both of which are nominated by the President and confirmed by the Senate for a four-year term and cannot be from the same political party. From its establishment, the Board of Trustees are required to determine the annual difference between the program cost and dedicated financing sources every year. It is through the Board's annual reports to Congress that the financing of the trust funds has been able to be monitored and addressed since the program's founding[17].

Since the establishment of the Board of Trustees and Public Trustee Positions, economists and analysts of the House and Senate Budget Committees have served on the Board, conducting oversight and contributing to the annual reports generated annually[18]. In financing the trust funds that support the Retirement Insurance program under the Social Security Act, the bill established that the funds would be managed by the Department of the Treasury through the Bureau of the Fiscal Service. Initially, the securities held by the trust funds held public issues and special issues; the special issue securities are available only to the trust funds, while public issue securities are marketable Treasury bonds that are publicly available[19].

The trust funds for the Retirement Insurance programs were designed to hold the accumulated asset reserves and provide an accounting mechanism for tracking all contributions and disbursements from the trust funds. In effect, the trust funds provide the

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[16] "History of the Boards of Trustees and the Public Trustee Positions of the Social Security & Medicare Trust Funds." Social Security History. Social Security Administration. Accessed October 24, 2021. https://www.ssa.gov/history/reports/trustees/historypt.html.

[17] Social Security and Medicare Boards of Trustees. "Status of the Social Security and Medicare Programs." A Summary Of The 2021 Annual Reports. Social Security Administration. Accessed October 24, 2021. https://www.ssa.gov/oact/trsum/.

[18] House Budget Committee Democratic Staff. Rep. *Focus on Function 650 - Social Security*. Washington, DC, 2018.

[19] Office of the Chief Actuary, and Beth Hima. "Trust Fund FAQs." Trust Fund Data. Social Security Administration, 2019. https://www.ssa.gov/oact/progdata/fundFAQ.html.

automatic spending authority to pay out benefits and are solely limited to transactions involving contributions and disbursements[20].

In its initial years, the trust funds were funded on a modified-reserve basis, with the goal of building a large fund financed by interest earnings in the long-run. Since its establishment, the funding basis evolved to the "pay-as-you-go" formula the trust funds reflect today. This objective of the "pay-as-you-go" basis as compared to the modified-reserve basis is that the income and the benefits would level out to be equal amounts each year, and that a fund balance be maintained to meet the cyclical fluctuations throughout the fiscal year and over several years[21].

This is where the importance of the trust fund ratio comes in; the trust fund ratio is the measure often used to measure the short-range and long-range financial status of the trust funds. Until the 1950s, the trust funds were determined to have a minimum ratio of 8 percent to 9 percent for monthly benefits to be paid on schedule. In order to determine the long-term financial status of the trust funds, the "average cost rate" and the "average tax rate" were compared over the specified valuation period. In order to calculate this status, the "cost rate" was determined to be the benefits paid out on a particular year expressed specifically as a percentage of effective taxable payroll. In that vein, the "average cost rate" was determined as the sum of the annual cost rates for the specified valuation period divided by the number of years within that period. The same followed for the "average tax rate", determined as the average of combined employer-employee tax rates for each of the years within the specified valuation period[22].

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[20] Kunkel, Sue, and Office of the Chief Actuary. "Special Issue Securities." Special-issue securities, Social Security trust funds. Social Security Administration, 2019. https://www.ssa.gov/oact/progdata/specialissues.html.
[21] Rep, 1983. Appendix J: FINANCIAL STATUS OF THE SOCIAL SECURITY PROGRAM
[22] Rep, 1983. Appendix J: FINANCIAL STATUS OF THE SOCIAL SECURITY PROGRAM

This formula and re-evaluation analytical process used to understand the longevity of the trust funds determines whether the percentage of taxable payroll should be raised or decreased in order to aid the financing of the trust funds. Should the "average cost rate" surpass the "average tax rate" for the specified valuation period, the deficit is expressed as a percentage of taxable payroll[23].

By the 1950s, the Retirement Insurance program was still financed by low levels of payroll taxes, and the absolute value of the program benefits were very low. Cause for concern arose for the first time in 1950, when there were higher benefits for the welfare program than there were for the Retirement Insurance program. As a result, President Truman signed the 1950 Amendment to expand coverage and increase benefits for the Retirement Insurance program by 77 percent[24]. These amendments were the first adjustments made to the program that increased benefits not only for existing beneficiaries, but also for future beneficiaries. Following the enactment of the amendments, the House Ways and Means Committee commissioned the Subcommittee on Social Security in 1953 for oversight on Social Security bills and the enactment of the provisions of the Amendments[25].

In the years following, the Committee established the Subcommittee on Administration of the Social Security Laws in 1959 to exercise oversight over existing Social Security laws and conduct investigations on the regulations[26]. Since then, the Subcommittee on Social Security functions in the House with the combined

[23] Rep, 1983. Appendix J: FINANCIAL STATUS OF THE SOCIAL SECURITY PROGRAM
[24] Breslauer, Tamar B., and William R. Morton. "Social Security: Major Decisions in the House and Senate Since 1935 RL30920." Congressional Research Service, February 19, 2021. https://crsreports.congress.gov.
[25] "Chronology." Social Security Special Collections. Social Security Administration. Accessed October 24, 2021. https://www.ssa.gov/history/1950.html.
[26] "Chronology." Social Security Special Collections. Social Security Administration. Accessed October 24, 2021. https://www.ssa.gov/history/1950.html.

responsibilities of the original subcommittee and the Subcommittee on Administration of the Social Security Laws to conduct oversight, legislation, and reports on the Social Security Trust Funds and financial health of the system[27]. However, in the decades following the expansion of the program, Congress had to enact special legislation to recalculate and increase/decrease benefits to account for inflationary periods in the economy. This was done to ensure that inflation does not detract the value of the Social Security fund or the benefits that retirees receive. This consistent maintenance to uphold the program and ensure that payouts would be reflective of the fluctuations in the US economy required a change to the structural provisions of the program.

Signed in 1972 by President Nixon, there were major expansions to the program, one of which was the COLA provision. This provision included the cost-of-living allowances (COLAs), which are annual increases to the benefits of the program – these are designed to offset any corrosive effects that inflation may have on fixed incomes. This allowed for automatic annual COLAs to be distributed from 1975 onwards[28].

COLAs are determined annually by the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). The CPI-W, in turn, is determined by the Bureau of Labor Statistics[29]. The 1972 COLA provision achieved two tasks in its attempt to restructure the provisions of the Retirement Insurance program – first, it established automatic increases in the amount of earnings subjected to Social Security taxation. Second, it created an automatic adjustment in the wage-base used in calculating benefits. In doing so, this amendment established that there was an adjustment

[27] "Subcommittee on Social Security." Ways & Means Committee Democrats. U.S. House of Representatives. Accessed October 25, 2021. https://waysandmeans.house.gov/subcommittees/social-security-116th-congress.
[28] Lyons, Richard D. "Nixon Signs $5-Billion Bill Expanding Social Security." *The New York Times*, October 31, 1972. https://www.nytimes.com/1972/10/31/archives/nixon-signs-5billion-bill-expanding-social-security-president-signs.html.
[29] "Cost-of-Living Adjustment (COLA) Information for 2021." SSA, 2021. https://www.ssa.gov/cola/.

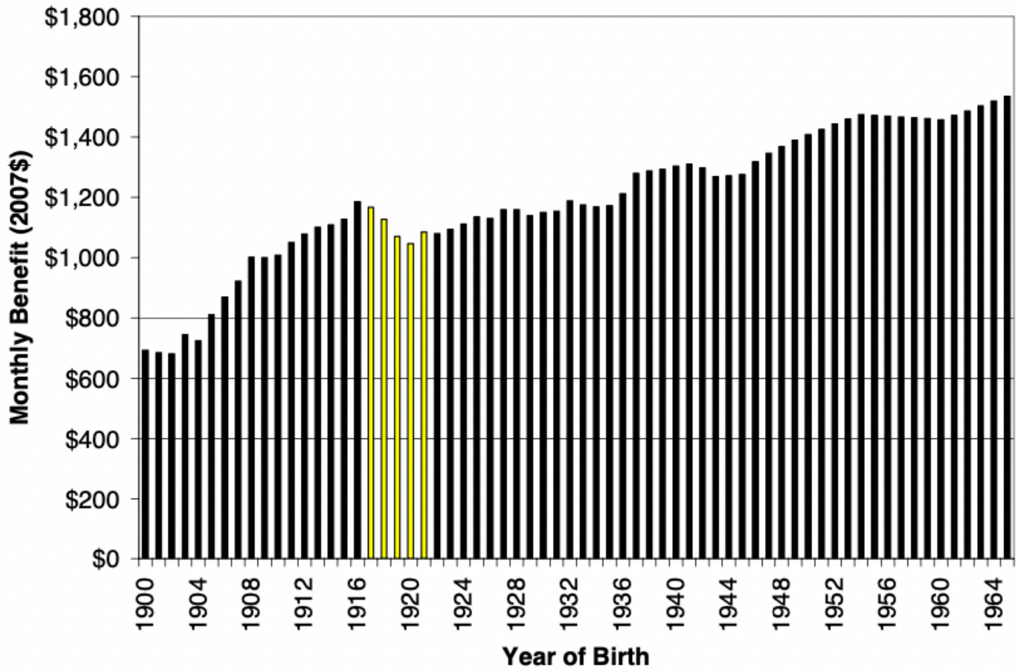
in the purchasing power of those benefits already awarded and maintain the value of the program benefits for future benefits[30].

Unfortunately, even after the first amendments to the program's structure, the automatic adjustments made for price and wage increases were flawed – the benefits for future recipients of the Retirement Insurance program soared. Given the estimated trajectory at the time, future beneficiaries were at risk for receiving benefits in amounts larger than their gross salaries while employed[31]. This led to the second amendments to the Retirement Insurance program's structure in 1977 – which historically came to be known as the "Notch" Issue. Due to the miscalculations of the automatic adjustments, the 1977 amendments corrected them beginning with those born in 1917. The amendments corrected this miscalculation by raising the payroll tax from 6.45 percent to 7.65 percent, increasing the wage base, reducing the benefits, and separating the wage adjustment from the COLA adjustment[32].

As a result, those born during the "notch" years had lower benefits than those before them; a similar issue to what we are seeing today. In order to ease the impact of this correction on all recipients of the benefits, Congress passed these amendments for those born from 1917 through 1921[33]. The impact it had on those born during that time period coined the term "notch", as can be seen in the graph below from the 2007 Social Security *Trustees Report*. Those born during the "notch" years would receive less in monthly benefits than those born before or after.

[30] Social Security Administration. "Historical Background and Development of Social Security." Social Security Administration. Social Security Administration, 2020. https://www.ssa.gov/history/briefhistory3.html.
[31] SSA Publication No. 05-10042 § (2018). https://www.ssa.gov/pubs/EN-05-10042.pdf.
[32] Social Security Administration. "Historical Background and Development of Social Security." Social Security Administration. Social Security Administration, 2020. https://www.ssa.gov/history/briefhistory3.html.
[33] Romig, Kathleen. "Social Security: The Notch Issue." EveryCRSReport.com. Congressional Research Service, February 11, 2011. https://www.everycrsreport.com/reports/RS22678.html.

Figure 1. Initial Benefit Amounts for Average Wage Earners Retiring at Age 65 in 2007 Dollars



Following the passage of the 1977 Amendments, there was little legislative activity to balance the countereffects of the legislation. By 2007 when it was addressed again, the issue seemed to affect too little of the demographic currently retired to amend the structural program once more[34]. In addition to demonstrating the impact that a miscalculation in the program could have on future demographics, the 1977 Amendments highlighted the funding issue that Social Security as a whole and the Retirement Insurance program faced. This was the beginning of both a short term and a long-term issue that the program has been attempting to rectify since. In the years following the 1977 Amendments, the long-term financial shortfall that the program faced became more

[34]Romig, Kathleen. "Social Security: The Notch Issue." EveryCRSReport.com. Congressional Research Service, February 11, 2011. https://www.everycrsreport.com/reports/RS22678.html.

prominent. At this time, the Social Security Administration shared that the trust funds would be unable to continue to pay full benefits in July of 1983 – in response, Congress and President Reagan appointed the Greenspan Commission to make recommendations on further steps to better the program for short-term and long-term success[35]. As a part of the commission's review, the Board of Trustees for the Federal Old-Age and Survivors Insurance and Disability Trust Funds submitted their estimations and concerns for the trust funds' vitality in their annual report to the Committee on Ways and Means in 1982[36].

In the report, the Board addressed the provisional changes made in the past year and the issues the trust funds were facing. One of the major changes to the provisions of the Retirement Insurance program was to postpone the first month which an individual can attain old age benefits and reduce the time period for early retirement from 36 months before 65 years to 35 months before 65 years. Additionally, benefit amounts were rounded down to the next dime as opposed to being rounded up[37].

As the program stood in 1982, the two major sources of funding for the program were first amounts contributed by workers, employers, and self-employed individuals; the second was the amounts paid to match the contributions of those employed by the state and local governments. Though those are the two major sources of funding, a third source

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[35] "Statement Announcing the Establishment of the National Commission on Social Security Reform." The White House, 1981. Reagan Library. Note: The President spoke at 12:03 p.m. to reporters assembled in the Briefing Room at the White House.
[36] "Statement Announcing the Establishment of the National Commission on Social Security Reform." The White House, 1981. Reagan Library. Note: The President spoke at 12:03 p.m. to reporters assembled in the Briefing Room at the White House.
[37] Committee on Ways and Means, and Donald T Reagan. Report, 1982 annual report, Federal Old-age and Survivors Insurance and Disability Insurance Trust Funds. communication from the board of trustees, Federal Old-age and Survivors Insurance and Disability Insurance Trust Funds, transmitting the 1982 Annual Report of the board pursuant to Section 201(c) of the social security act. April 1, 1982. §. 97-163 (1982).

of income to the trust funds was noted as the interest received on the investments held by the trust funds[38].

Aside from the sources of revenue for the trust fund, the Board discussed the expenditures that the program faced – reimbursements to those who overpaid their contributions, the amounts charged to private employee benefit plans, the expenses incurred by the Department of Health and Human Services and the Department of the Treasury for carrying out the provisions of the program to collect contributions, and expenditures for the facilities of the Social Security Administration[39]. This report addressed issues that the program still faces today – showing us that the structural feasibility of the program has adapted little in the past 38 years.

In 1983, President Reagan signed legislation that passed through congress just in time before the trust funds' projected expiration date later that July. The amendments passed by the 98th Congress addressed the $200 billion in increased revenues needed to restore the program's longevity through the 1980s. The bipartisan package expanded coverage for new federal employees and non-profit organization employees, changed the program's tax schedule to increase rates for those self-employed with a tax deduction, and credit the trust funds with lump sum payments for military wage credits[40].

Long-term structural changes to the program included – shifting COLAs to a calendar-year basis and changing the automatic benefit increases to be based on the lower

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[38] Committee on Ways and Means, and Donald T Reagan. Report, 1982 annual report, Federal Old-age and Survivors Insurance and Disability Insurance Trust Funds. communication from the board of trustees, Federal Old-age and Survivors Insurance and Disability Insurance Trust Funds, transmitting the 1982 Annual Report of the board pursuant to Section 201(c) of the social security act. April 1, 1982. §. 97-163 (1982).

[39] Committee on Ways and Means, and Donald T Reagan. Report, 1982 annual report, Federal Old-age and Survivors Insurance and Disability Insurance Trust Funds. communication from the board of trustees, Federal Old-age and Survivors Insurance and Disability Insurance Trust Funds, transmitting the 1982 Annual Report of the board pursuant to Section 201(c) of the social security act. April 1, 1982. §. 97-163 (1982).

[40] Svahn, John A, and Mary Ross. "Social Security Bulletin," July 1983.

side of the Consumer Price Index, with provisions for fund increases to match the growth of wage increases; if funds exceeded 32 percent, the pay-out would also increase. Additional repercussions we see today in the program is the delayed retirement credit has been raised gradually from 3 percent before 1990 to 8 percent by 2010[41]. These changes remain in place today, and when this major bipartisan legislation passed in 1983, the belief was that the funding for the Retirement Insurance program – among the other programs under the Social Security program – would be sustained in its growth and funding into the 2050s[42]. In 1984 following the 1983 Amendments, the Census Bureau released its population estimates and projections until 2080 – overestimating the mortality and life expectancy rates to be higher than they currently are or have been over the past five years.

Policy Proposal

The policy goal would be to restore immediate funding for the Retirement Insurance program trust fund and amend the structure of the program to ensure longevity of the trust fund for the next 50 years. The future of the Retirement Insurance program will be analyzed by an existing congressional committee as has been done historically, and amendments to the program will be passed through Congress and signed by the President. The amendments to the program will be implemented by the Department of the Treasury, Department of Health and Human Services, Internal Revenue Service, and the Department of Commerce. The implementation timeline will allow two years for the change to be effective, and during this transition period, those born between the years

[41] Svahn, John A, and Mary Ross. "Social Security Bulletin," July 1983.
[42] "2012 OASDI Trustees Report." Social Security Administration, April 19, 2012. https://www.ssa.gov/OACT/TR/2012/VI_B_LRact_bal.html#103557. Appendix B. History of Actuarial Status Estimates

1965-1980, or "Generation X", will remain unaffected by any amendments to the program, or provisions set forward to accommodate the contributions of the trust funds. This proposal will cost an estimated $250 billion to reinvigorate the trust funds and ensure longevity of the Retirement Insurance program.

Because the policy proposal carries an incredible budget to implement comprehensive and expansive structural changes to a program that was originally established in 1935, it is vital that this law gets passed through the U.S. House of Representatives, the Senate, and signed by the President. The policy authorization tool will be a key piece of legislation called the 2023 Amendments to The Social Security Act[43]. In order to achieve this massive shift, support this large fiscal stimulus, and ensure the long-term health of this structural change, there will be a need to raise payroll taxes. Though payroll taxes are already very regressive, there will be a gradual .06 percentage point increase in the top two tiers of the payroll tax brackets to finance this program, and a gradual increase of .03 percentage points in every other tax bracket.

These changes to the payroll tax would close the solvency gap for the future, aside from the immediate fiscal stimulus to the trust funds. Implementing these gradual increases of the payroll tax will continue this financing. Since Social Security's income comes primarily from payroll taxes, and the proportion of employees' compensation subjected to the payroll taxes that feed into the Social Security program has shrunk since 1983, this calls for a need to increase the share of employee compensation, and to do so in a way that addresses the increased wage inequality. The policy implementation tools for the 2023 Amendments to The Social Security Act will be through tax incentives, tax

[43] United States Code: Social Security Act, 42 U.S.C. §§ 301-1305 (Suppl. 4 1934)., 1934. Library of Congress, www.loc.gov/item/uscode1934-005042007/.

exemptions, regulatory enforcement of income taxes, and media campaigns. These policy implementation tools will target those born in the year 1981 and after – this demographic includes the generations specified as “Millennials” and “Generation Z” onwards. These policy implementation tools will encourage confidence in the trust funds and Retirement Insurance program for future generations that will benefit from the amendments.

Policy Authorization Tool

The goal of this proposal is to amend the existing structure of the Retirement Insurance program, and place parameters to ensure the fiscal longevity of the program. The objective of this policy proposal is to recommend an updated approach to the Retirement Insurance program and its funding cycles. Because the policy proposal carries an incredible budget to implement comprehensive and expansive structural changes to a program that was originally established in 1935, it is vital that this law gets passed through the U.S. House of Representatives, the Senate, and signed by the President.

This policy proposal proposes to: 1) utilize the existing House Subcommittee on Social Security under the House Ways and Means Committee to investigate changes in our current populations’ health estimates and demographics, and understand growth trends that will impact the future populations of the U.S. workforce; 2) propose a comprehensive amendment to The Social Security Act that will ensure funding for the Retirement Insurance program prior to the program’s estimated expiration; and 3) establish an automatic renewal of funding towards the Retirement Insurance program’s trust funds on a cyclical basis.

The reports from the Subcommittee on Social Security will investigate and address the changes in the health estimates and demographics in the current and future populations of the country, as well as develop a comprehensive bill to automatically renew fiscal funding for the Retirement Insurance program trust funds on a cyclical basis. This policy proposal requires the joint oversight of the legislative body, the President, and the Select House Committee to develop the 2023 Amendments to The Social Security Act. The first step is the commission of the Select House Committee in a data-driven initiative to conduct research and oversight on shifting population growth trends in demographic and health estimates of the current population since the previous expansion to the Social Security Act in 1983. As previously illustrated in the background section, demographic and health estimates for the American working population by the Census Bureau are not reflective of the population today and will continue to exhibit dissonance from the original estimates generated during the 1983 expansion to the Social Security Act[44].

The second step involves the creation of the amendment with collaboration of the Social Security Subcommittee and the House Budget Committee. The amendment would need to pass the House – this additional half-step will require the joint oversight of the legislative body, the Senate Budget, Finance, and Ways and Means Committees, and the President to develop the 2023 Amendments to The Social Security Act; the Social Security Act is an already-existing expansive and comprehensive bill that involves benefits for numerous programs, one of which is the Retirement Insurance program[45].

Together, these actions will amend The Social Security Act to reflect the changes in the working population's demographics and health estimates in the past four decades

[44] Spencer, Gregory. Rep. *Projections of The Population of The United States, By Age, Sex and Race: 1983 to 2080*. P-25, No. 952. Washington, D.C.: U.S. Government Printing Office, 1984.
[45] "Compilation Of The Social Security Laws." Social Security Administration. Accessed October 10, 2021. https://www.ssa.gov/OP_Home/ssact/ssact-toc.htm.

and will accommodate the growth trends in the working population for the future. The third step of this policy proposal will include parameters in the time between the investigations of the Social Security Subcommittee to the implementation of the 2023 Amendments to allow those born between the years 1965-1980, or “Generation X”, will not have their benefit amounts to shift in anticipation of the 2033 fund depletion or the structural financing of the Retirement Insurance program’s trust funds.

This step would not only allow those who have been contributing to the Retirement Insurance program since the age of 18 to receive the benefits once reaching 65 years of age, but also will allow those that fall within Generation X to remain unaffected by any amendments to the program, or provisions set forward to accommodate the contributions of the trust funds for the future generations.

Policy Implementation Tool

The policy calls for the passage and implementation of the 2023 Amendments, which will require the joint support of the President, Congress, Department of the Treasury, Department of Health and Human Services, Internal Revenue Service, and the Department of Commerce. The implementation of this policy proposal calls for the funding of $250 billion for the 2023 Amendments to the Social Security Act.

The implementation of this policy proposal requires a $250 billion fiscal stimulus to the Social Security Act – like the 1983 Amendment proposal – to establish comprehensive, long-term funding for the Retirement Insurance program, among the other programs that fall under the umbrella of the Social Security Act, since these numerous programs operate on the same trust funds. This will require the efforts of the Internal Revenue Service’s [IRS] collection of contributions and pay outs of the

Retirement Insurance program, and the cooperation of the Department of Health and Human Services [HHS] and the Department of Commerce [DoC]. The HHS and the DoC will provide data-driven adjustments to the cyclical structure of the trust fund's growth, COLAs, and financing to account for trends in health estimates and mortality rates.

In order to implement the $250 billion fiscal stimulus to the trust funds that operate based on the contributions of every working American and pay out benefits to every eligible American in retirement, the Department of the Treasury [DoT] will coordinate the refinancing of the trust funds. Following the passage of the 2023 Amendments to The Social Security Act, the Department of Health and Human Services and the Department of Commerce will conduct oversight of the COLA adjustments and collaborate with the Department of Treasury in altering the population growth ratio that contributes to the compounding interest of the trust funds. The DoT will implement the changes that reflect the shift in population growth and health estimates to the ratios that affect the compounding interest rate of the trust funds.

To allow for those born within Generation X to not have their benefit amounts shift – either in anticipation of the 2033 fund depletion, the structural financing of the Retirement Insurance program's trust funds, change in the COLA adjustment or effects of the change in the statistical ratio to reflect changes in population – the DoT and the IRS will establish parameters for this demographic. In order to achieve this massive shift, support this large fiscal stimulus, and ensure the long-term health of this structural change, there will be a need to raise payroll taxes. Though payroll taxes are already very regressive, there will be a gradual .06 percentage point increase in the top two tiers of the payroll tax brackets to finance this program, and a gradual increase of .03 percentage points in every other tax bracket.

These changes to the payroll tax would close the solvency gap for the future, aside from the immediate fiscal stimulus to the trust funds. As part of this policy implementation, the employer base would remain at $50,000 for seven years past the passage of the bill and increase to $75,000 beginning in the eighth year. Though these amendments pursued the nontraditional route of a larger tax increase primarily on the employers, the tax base for employees and those self-employed were automatically increased with the wage increases. These projections were detailed to provide additional tax revenues for the refinancing of the programs without increasing the tax burden on low income tax brackets.

TABLE 2.—AMOUNT OF EARNINGS SUBJECT TO EMPLOYEE/SELF-EMPLOYED TAX

Years	Present law	Committee amendment
1978	$17,700	$17,700
1979	18,900	19,500
1980	20,400	21,000
1981	21,900	23,100
1982	23,400	24,600
1983	24,900	26,700
1984	26,400	28,200
1985	27,900	30.300

Since social security benefits are based on individual earnings taxed and increases in the amount of employee earnings taxed raises additional income in the early years but over the long-term, increases benefit costs so that much of the additional income is spent in later years.

In implementing this policy proposal, and to establish parameters for this demographic, the DoT and the IRS will categorize those within Generation X as a separate faction that will continue to receive the payout of their contributions at the same compounding interest rate and growth factor that has been held in the trust funds for the past four decades. Those within this demographic will not be affected adversely by any changes from the expected depletion of the trust funds, changes in the interest rate, the effects of the implementation of the population growth ratio, or the fiscal stimulus of $250 billion from the amendments.

For all those eligible for retirement within Generation X by the implementation of the 2023 Amendments, the benefits and their contributions will remain unaffected, and all generations and employed working populations following this demographic will be the portion of the population to affected by the refinancing of the Retirement Insurance program. Additionally, in order to promote and effectively implement this enormous fiscal refinancing of the Social Security Act, there will be the existing sticks that have been in place for refusing to contribute to Social Security, including FICA tax evasion and payroll tax fraud – all of which must be reported to the Internal Revenue Service[46].

In tandem with the traditional sticks, sermons will be utilized to promote the 2023 Amendments to The Social Security Act through streamlined media campaigns conducted across the DoT, HHS, DoC, Congress, and the current presidential administration to promote the importance of the working American's investment into the revitalized and refinanced Retirement Investment program. These implementation tools

[46] "State and Local Government Employees Social Security and Medicare Coverage." Internal Revenue Service. Internal Revenue Service, July 15, 2021. https://www.irs.gov/government-entities/federal-state-local-governments/state-and-local-government-employees-social-security-and-medicare-coverage.

for the proposed policy will be to encourage government trust, morale of every working American, and promote interest in the working American's long-term goals and retirement planning. Given the amount of funding that the amendments require, these media campaigns promote the long-term effectiveness of the refinanced program and demonstrate the government's vested interest in the livelihood of Americans today and for generations to come.

Policy Analysis

The 2023 Amendments to The Social Security Act include a $250 billion fiscal package and a gradual .06 percentage point increase in the top two tiers of the payroll tax brackets to finance this program, and a gradual increase of .03 percentage points in every other tax bracket. The total cost of the Retirement Insurance program as of 2021 is $1151 billion, leaving $901 billion to be restored by 2095[47]. In the 1977 Amendments, the policy changes implemented with a surplus of 0.6 percent of taxable payroll were successfully able to refinance the program to its actuarial balance. At the time of the amendments, the financing approach of raising the taxable payroll to secure short-term financial soundness was heavily studied and decided on[48].

In this previously enacted policy, the refinancing strategy broke from the traditional financing approach and increased the amount of earnings taxed to employers. This policy implementation was agreed upon by the Committee on Ways and Means; the committee also determined that the total package would be financed best if the amount

[47] Social Security and Medicare Boards of Trustees. "Status of the Social Security and Medicare Programs." A Summary Of The 2021 Annual Reports. Social Security Administration. Accessed October 24, 2021. https://www.ssa.gov/oact/trsum/.
[48] Bill, Volumes 1-3 § (1977).

eventually increased to a maximum of $50,000 for each employee two years after the bill's passage[49].

Pros

This policy proposal would effectively refinance the program short-term and ensure long-term funding for the program without having to propose legislation to boost the Social Security Act for another 50 years. By setting projections for payroll taxes on employers and payroll taxes on employees, it will also establish safeguards for those within low-income brackets.

Following the passage of the 1977 Amendments, there was little legislative activity to balance the countereffects of the legislation. By 2007 when it was addressed again, the issue seemed to affect too little of the demographic currently retired to amend the structural program once more[50]. In addition to demonstrating the impact that a miscalculation in the program could have on future demographics, the 1977 Amendments highlighted the funding issue that Social Security as a whole and the Retirement Insurance program faced. This was the beginning of both a short term and a long-term issue that the program has been attempting to rectify since. In the years following the 1977 Amendments, the long-term financial shortfall that the program faced became more prominent.

In the 1977 Amendments, the policy changes implemented with a surplus of 0.6 percent of taxable payroll were successfully able to refinance the program to its actuarial balance. At the time of these amendments, the financing approach of raising the taxable

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[49] Bill, Volumes 1-3 § (1977).
[50] Romig, Kathleen. "Social Security: The Notch Issue." EveryCRSReport.com. Congressional Research Service, February 11, 2011. https://www.everycrsreport.com/reports/RS22678.html.

payroll to secure short-term financial soundness was heavily studied and decided on. In this previously enacted policy, the refinancing strategy broke from the traditional financing approach and increased the amount of earnings taxed to employers. This policy implementation was agreed upon by the Committee on Ways and Means; the committee also determined that the total package would be financed best if the amount eventually increased to a maximum of $50,000 for each employee two years after the bill's passage[51].

As compared to the enactment of the 1977 Amendments, modern technology has improved access to apply for Social Security eligibility, benefits, and report inconsistencies and errors in contributions. In its administrative capacity, the proposed legislation will operate in the exact same fashion as it has historically with the 1977 Amendments, and with the improved technological capacity of the agencies of the executive department, will only improve the efficiency of the amendments.

With the proposed amendments and utilizing the $250 billion funding, the joint support of the President, Congress, Department of the Treasury, Department of Health and Human Services, Internal Revenue Service, and the Department of Commerce, the amendments will ensure that the administration has the capacity to enact and establish the necessary changes. Like the 1983 Amendment proposal, the joint support of the federal agencies will establish comprehensive, long-term funding for the Retirement Insurance program, among the other programs that fall under the umbrella of the Social Security Act, since these numerous programs operate on the same trust funds.

[51] Bill, Volumes 1-3 § (1977).

This will require the efforts of the Internal Revenue Service's [IRS] collection of contributions and pay outs of the Retirement Insurance program, and the cooperation of the Department of Health and Human Services [HHS] and the Department of Commerce [DoC]. The HHS and the DoC will provide data-driven adjustments to the cyclical structure of the trust fund's growth, COLAs, and financing to account for trends in health estimates and mortality rates. Due to the successful enactments of the 1983 Amendments[52], the federal government has had the administrative capacity in implementing specified changes to the Social Security Act and establishing long-term changes to the trust funds and benefits to retirees.

Through the expanded technological and administrative capacity that the federal government holds as compared to the capabilities it once held during the passage of previous Amendments to the Social Security Act, these improvements in accessibility are not only efficient, but also allow for equitable measures. Since the passage of the Rehabilitation Act of 1973, the Social Security Administration has committed its services to remain in accordance with Section 504 of the bill, which prohibits federal agencies from discriminating against qualified individuals with disabilities and taking specific measures to ensure that there will be no discrimination against individuals with disabilities[53]. Through supporting those differently abled and improving access for disadvantaged and low-income communities to obtain information and check in on their Retirement Insurance eligibility and benefits, this policy proposal will successfully be able to ensure equal access to all demographics that would be negatively affected by

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[52] Svahn, John A, and Mary Ross. "Social Security Bulletin," July 1983.
[53] Rehabilitation act, 1973. hearings, ninety-third Congress, first session, on S. 7. January 10 and February 6, 1973. Bill (1973). Section 504

depletion of the program. In doing so, these amendments will be able to enact equal opportunity legislation by ensuring that all the current and future demographics affected by the COLA adjustments, fiscal stimulus to the Retirement Insurance program, and payroll tax adjustments will have the assurance of retirement benefits once they are eligible.

In the decades since the passage of the 1983 Amendments, the Social Security Administration has improved access for disadvantaged and differently abled populations that are eligible for benefits[54]. Additionally, with the improvement of modern technology and the expansion of internet access, the Social Security Administration has since released provisions on improving accessibility for those with disabilities in applying for benefits online and in person. Technological advancements have provided a level of assurance in accessibility, quality, and expanded internet access. This allows for higher efficiency in responding to inconsistencies in benefit pay-outs, improve ease of enacting the proposed policy changes detailed in the amendments, and ensure that the changes are made.

Additionally, according to Section 508 of the Rehabilitation Act[55], which was amended most recently in 1998, the Social Security Administration is required by this bill to provide individuals with disabilities equal access to electronic information and data comparable to those who do not have disabilities. In doing so, these improvements in the technological capacity of the federal government allow for increased accessibility and

[54] A Guide to Supplemental Security Income (SSI) for Groups and Organizations § (2021).
[55] Rehabilitation act, 1973. hearings, ninety-third Congress, first session, on S. 7. January 10 and February 6, 1973. Bill, 87 § (1973). Section 508

have shortened the timeframe for enacting legislative changes and updating press releases on the status of any legislative changes for the public at large in real time.

Analysis

Additionally, in a 2012 study conducted to gauge the interests of the American public, 81 percent of respondents support funding the Social Security program, while 77 percent believe it to be critical to preserve Social Security benefits for future decades, even if that includes increasing Social Security taxes, with 83 percent agree with raising taxes paid by the top tax brackets[56].

According to these statistics, the American public is in support of not only funding the Social Security program as it currently stands, but also in preserving Social Security benefits for future generations and decades, including increasing Social Security taxes. This data demonstrates that this policy proposal would not only be contributing to the best interests of preserving the Social Security trust funds but would receive support from at least 83 percent of the American public. Because this policy proposes to raise the payroll tax and provide a fiscal stimulus to the trust funds that support the Retirement Insurance program, it is pivotal to measure the feasibility of this undertaking. According to the results of the studies, these tax raises would not only address the needs of the governed but would also be supported by the public in its passage – as long as the policy ensures the security of the trust funds.

In addition to the payroll tax, the $250 billion stimulus would fortify the Retirement Insurance program through federal bills to ensure that the program will not

[56] Walker, Elisa A., Virginia P. Reno, and Thomas N. Bethell. Publication. *Americans Make Hard Choices on Social Security: A Survey with Trade-Off Analysis*. Washington, D.C.: National Academy of Social Insurance, 2014. https://www.nasi.org/wp-content/uploads/2014/11/Americans_Make_Hard_Choices_on_Social_Security.pdf.

need refinancing for at least 50 years. This has been previously achieved through the 1983 Amendments to the Social Security Act, where the Amendments signed into law by President Reagan received a $200 billion stimulus in an emergent need to finance the depleting trust funds[57]. By the success of the trust fund financing in 1983, this proposal of $250 billion to finance the trust funds will succeed in ensuring the long-term longevity of the Retirement Insurance program for at least 50 years, if not more.

This refinancing proposal has not only been practiced in the Social Security Administration; it has also been practiced within the other agencies. With refinancing, other departments have been able to change the size, scope and longevity of their trust funds in order to adapt to each presidential administration and remain successful through economic crises. In a comprehensive analysis comprising of thirteen case studies by the United States Government Accountability Office [GAO], the GAO studied the changes in the size and scope of federal trust funds over time, the extent to which federal trust funds are supported, and the extent to which the federal trust funds support their benefits program. In the GAO's findings, the Social Security Administration has the third lowest number of trust funds compared to the trust funds held by every major department. Though it is the third lowest, the Social Security Administration holds more than double the balances of any other agency. As a result, these trust funds require consistent COLA adjustments based off the current and future demographics and require long-term funding for its balances to stay current[58].

[57] Social Security amendments of 1983: H.R. 1900, public law 98-21, 98th Congress: Reports, bills, debates, and Act. Bill (1983).
[58] Nguyen, Tranchau (Kris) T. "GAO-20-156, Federal Trust Funds and Other Dedicated Funds ..." United States Government Accountability Office, January 2020. https://www.gao.gov/assets/gao-20-156.pdf.

Regular refinancing of the trust funds is an expected adjustment due to the size of the trust funds, especially since these funds hold the widest scope of any federal agency in the U.S. Without refinancing through COLA adjustments or a large fiscal stimulus, these trust funds would not be successful in providing benefits to millions of Americans every day. Additionally, due to the "pay-as-you-go" nature of the trust funds themselves, the size of these funds will remain the same – the third lowest of all federal agencies – even though it holds the scope of all retired Americans. As it stands, the trust funds of the Social Security Administration are not current and is not receiving long-term funding for its balances to remain current – with this policy, the proposed amendments would establish automatic COLA adjustments cyclically based off the current and future demographics while providing a fiscal stimulus to ensure long-term funding for the trust fund balances.

Identifying Costs

The total package of these amendments will follow the example set historically by the 1977 Amendments, with a surplus of 0.6 percent of taxable payroll to refinance the program to its actuarial balance, and eventually increasing to a maximum of $50,000 for each employee in 2025. These implementation tools, in addition to a $250 billion fiscal stimulus and COLA adjustments to the Retirement Insurance program funds, would be the costs of enacting this policy. The intended consequences of this policy would be the long-term adjustments to the trust funds of the Retirement Insurance program, long-term and short-term funding of the program and the fulfillment of the benefits to those retiring within the next ten years and for the next 50 years. The unintended consequences of this policy would be the $250 billion contribution to the federal deficit in order to support the funding of the Retirement Insurance program and its benefits. Additional unintended consequences of the policy could be the long-term effects of the increased payroll tax on unemployment.

The policy proposal of increasing payroll taxes has several intended and unintended consequences. The intended consequences would be the repercussions of a regressive tax – it would exacerbate income inequality[59], place a burden on the self-employed, and affect unemployment in the short-run and long-run. Of course, the costs of the payroll tax would fall on the private industry as well, but the costs would not be as high as it would for those self-employed.

In a distributional analysis of tax systems in all 50 states and the District of Columbia, it was concluded that most state and local tax systems worsen inequality by making incomes more unequal after state and local taxes. With a regressive payroll tax, taxpayers in the top 1 percent are left with a higher percentage of their pre-tax income to spend on their day-to-day living and save for their future than low- and middle-income taxpayers[60]. In the analysis of the Texas tax system – the second most regressive on the inequality index – the top one percent of taxpayers have an average income 124 times larger than the average income of the state's poorest 20 percent of residents, but following state and local taxes, the after-tax income stands at 140 times the size of the average after-tax income of the state's lowest income residents[61].

[59] Wiehe, Meg, Dylan Grundman, Lisa Christensen Gee, Matt Gardner, Carl Davis, and Aidan Davis. Rep. *Who Pays? A Distributional Analysis of The Tax Systems in All 50 States*. 6th ed. Washington, D.C.: ITEP, 2018.
[60] Wiehe, Meg, Dylan Grundman, Lisa Christensen Gee, Matt Gardner, Carl Davis, and Aidan Davis. Rep. *Who Pays? A Distributional Analysis of The Tax Systems in All 50 States*. 6th ed. Washington, D.C.: ITEP, 2018.
[61] Wiehe, Meg, Dylan Grundman, Lisa Christensen Gee, Matt Gardner, Carl Davis, and Aidan Davis. Rep. *Who Pays? A Distributional Analysis of The Tax Systems in All 50 States*. 6th ed. Washington, D.C.: ITEP, 2018.

Under this package, the employer base salary of $50,000 will experience the increase in payroll taxes until 2031 when the employer base will increase to $75,000. These aggressive employer taxes will work in tandem with gradual increases to employee/self-employed taxes and the increased payroll tax to the highest tax bracket[62]. Under this tax raise, those self-employed will bear the cost of the aggressive employer and employee taxes, in addition to the increase in taxes should they apply to the higher employer base salary. In a comparison of employed workers, those who earn self-employment income are taxed in a manner that subjects lower-income taxpayers to marginal tax rates that are greater than those imposed on higher-income taxpayers[63]. With every adjustment to the tax rate, those self-employed pay both the employee and employer payroll tax, bearing the burden of the structurally regressive tax[64]. This was seen previously in President Obama's proposal of imposing an additional 2 – 4 percent on those with salaried incomes above $250,000; though seemingly addressing income inequality by taxing those with higher salaried incomes, this proposal had unintended consequences of disproportionately taxing those self-employed[65].

Additional consequences of an increase in payroll taxes would be its effect on the supply of labor and the unemployment rate. In a simulation conducted by the International Monetary Fund, the impact of taxes on the participation rate develops an "impulse response" on the unemployment rate[66].

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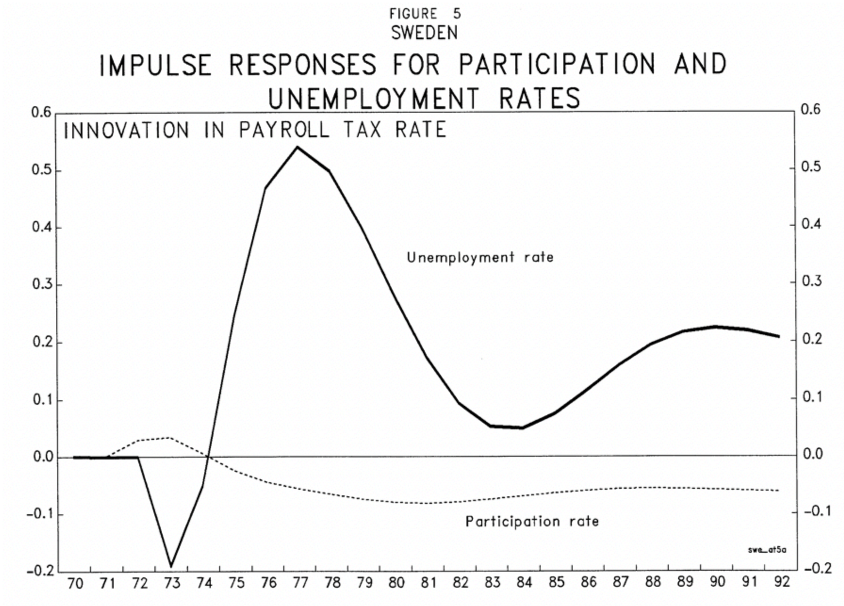
[62] Nguyen, Tranchau (Kris) T. "GAO-20-156, Federal Trust Funds and Other Dedicated Funds ..." United States Government Accountability Office, January 2020. https://www.gao.gov/assets/gao-20-156.pdf.

[63] Nichols, Donald R., and William F. Wempe. "Regressive Tax Rates and the Unethical Taxation of Salaried Income." *Journal of Business Ethics* 91, no. 4 (2009): 553–66. https://doi.org/10.1007/s10551-009-0131-z.

[64] Nichols, Donald R., and William F. Wempe. "Regressive Tax Rates and the Unethical Taxation of Salaried Income." *Journal of Business Ethics* 91, no. 4 (2009): 553–66. https://doi.org/10.1007/s10551-009-0131-z.

[65] Nichols, Donald R., and William F. Wempe. "Regressive Tax Rates and the Unethical Taxation of Salaried Income." *Journal of Business Ethics* 91, no. 4 (2009): 553–66. https://doi.org/10.1007/s10551-009-0131-z.

[66] Thomas, Alun. Working paper. *The Effects of Tax Wedges on Hours Worked and Unemployment in Sweden*, 1998.



In the simulation conducted, it was found that increasing payroll and total labor taxes raise both the cost of labor by .5 percent and lowers total hours worked by .5 percentage points over a 5–10-year timeline[67]. The relationship between increasing payroll and total labor taxes and unemployment is directly proportional, any increase in payroll and labor taxes is related to an increase in unemployment. In this vein, the effects of the payroll tax – though the unemployment rate will eventually decrease to .3 percentage points by the end of 10 years – will adversely affect employment. This relationship between payroll taxes and employment was also found across a variety of OECD countries between 1978 and 1992, including Italy, Finland, Canada and Sweden – of which, Sweden has a Social Security "pay-as-you-go" financing very similar to that of the United States. This study concluded similarly with an increase in both labor taxes and unemployment[68]. The results of this simulation and analytical study are twofold – not only would an increase in payroll taxes have the intended consequences of job losses, but

[67] Thomas, Alun. Working paper. *The Effects of Tax Wedges on Hours Worked and Unemployment in Sweden*, 1998.
[68] Thomas, Alun. Working paper. *The Effects of Tax Wedges on Hours Worked and Unemployment in Sweden*, 1998.

the unintended consequences would be the rise in unemployment over the ten years after the passage of the proposed bill.

The intended consequences of undertaking a fiscal stimulus of $250 billion to finance the trust funds would be to ensure funding of the trust funds and benefits for retirees for at least 50 years. The unintended consequences of this same proposal would be contributing to the federal budget deficit. Though federal borrowing has not posed as large of an economic consequence in the past, the economic downturn caused by COVID-19 and the government's response to the downturn caused a large increase in federal borrowing[69]. Due to the amount of fiscal stimulus and federal borrowing since 2020, running a budget deficit by increasing government spending will increase the stock of debt. The effects of the negative ramifications of this proposal – should this severely increase the amount of federal borrowing for the fiscal year it is enacted – would be seen in the long-term growth of the economy. The long-term growth would be determined by the amount of capital in an economy, and associated budget deficits can decrease the size of the economy, lead to lower levels of business investment, and reduce the economy's productive capacity[70].

Political Analysis

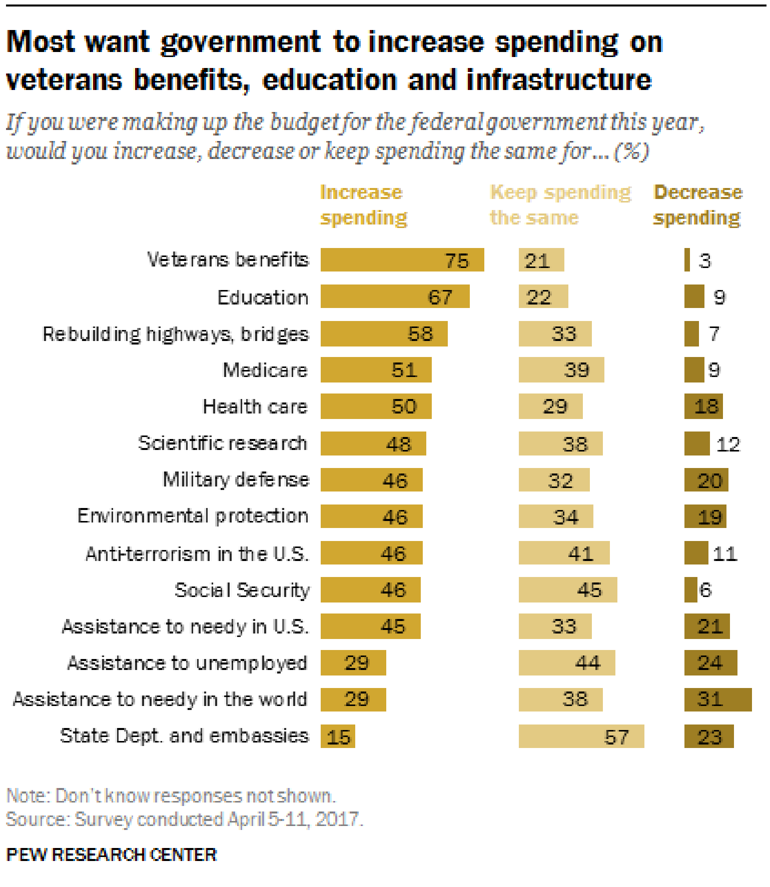
Given the current priorities of this Presidential administration and by extension, the legislative branch, it can be said that though the proposed policy is likely to achieve its goals once enacted, this legislation is not likely to be passed in the current congressional session or the next one. Because of this, the 2023 Amendments to The Social Security

[69] CRS Report R45723, *Fiscal Policy: Economic Effects*, by Lida R. Weinstock
[70] CRS Report R45723, *Fiscal Policy: Economic Effects*, by Lida R. Weinstock

Act is not proposed to be enacted until 2023, accounting for the legislative gridlock and expected pushback due to the current administration's infrastructure priority.

The 2023 Amendments to the Social Security Act are likely to receive strong bipartisan support. Since 2009 on Social Security, 86 percent of Republicans and 95 percent of Democrats stated that they would support maintaining or increase fiscal spending for the Social Security fund[71]. There are multiple stakeholders for this proposed policy – the key stakeholder being the public at large, with additional stakeholders being members of Congress, non-profit organizations, private industries, and advocacy organizations. Of course, the key stakeholder being the public at large – the demographic consisting of the working population of the United States. Within this large faction there are subsets of demographics that we have discussed – the present demographic of retirees, along with those that fall under Generation X, Generation Z, and Millennials, all of whom are currently paying into the Social Security Retirement Insurance program. The agenda of the public at large is to be fairly compensated through the reliable monthly benefits throughout their retirement, beginning from every individual's eligible retirement age. Among retirees making $50,000 to less than $75,000 a year, about 49 percent report Social Security as a major source of income, with 74 percent of Americans agreeing that Social Security benefits should not be reduced in any way[72].

[71] "How Republicans and Democrats View Federal Spending." Pew Research Center - U.S. Politics & Policy. Pew Research Center, December 31, 2019. https://www.pewresearch.org/politics/2019/04/11/how-republicans-and-democrats-view-federal-spending/.
[72] Pew Research Center, March 2019, "Looking to the Future, Public Sees an America in Decline on Many Fronts"



This goes hand in hand with another Pew research poll that found only 6 percent of Americans favored cutting government spending on Social Security[73]. This policy will ensure benefits for three specific generations that currently pay into the program – those eligible to retire within the next decade, those who will retire in the next two decades, and those who will retire in the next five decades.

As discussed, according to The Pew Research Center, those born between the years 1965-1980 are classified as "Generation X", those born between 1981-1996 are classified as "Millennials/Generation Y", and those born from 1997 to 2012 are classified as "Generation Z"[74]. These Americans – albeit in total a smaller demographic than those

[73] Pew Research Center, April, 2017, "With Budget Debate Looming, Growing Share of Public Prefers Bigger Government"
[74] Dimock, Michael. "Defining Generations: Where Millennials End and Generation Z Begins." Pew Research Center. Pew Research Center, May 29, 2021. https://www.pewresearch.org/fact-tank/2019/01/17/where-millennials-end-and-generation-z-begins/.

currently receiving benefits – within these age groups are currently paying into the program and will receive little to none of the benefits by 2033 if the policy were not enacted.

According to a study conducted in 2013 on public perception and the importance of Social Security benefits across Generations, those in the "Baby Boomer" generation – currently at retirement age – were at a 93 percent agreement with the importance of Social Security benefits, with "Generation X" at 87 percent, and "Millennials/Generation Y" at 84 percent[75]. This study also found that 87 percent of Americans agree that it is critical to preserve Social Security even if that means increasing Social Security taxes paid by wealthy Americans, with 82 percent of Americans in agreement that it is critical to preserve Social Security even if that means increasing Social Security taxes paid by working Americans[76]. The second largest stakeholders are members of Congress, many of whom have already vocalized their opinions on the estimated depletion of the Social Security Retirement Insurance program trust funds. Representative John Larson [D-CT-01], Chairman of the House Ways and means Subcommittee on Social Security introduced a bill in October 2021 – Social Security 2100: A Sacred Trust to improve benefits for current and future generations that would receive benefits from the Social Security program[77]. This Democratic policy proposal has 194 cosponsors with hopes address the estimated depletion date of the trust funds[78]. Specific members of Congress have been vocal in their co-sponsorship of the bill, such as Representative Alexandria

[75] Tucker, Jasmine V., Virginia P. Reno, and Thomas N. Bethell. Rep. *Strengthening Social Security: What Do Americans Want?*, 2013.
[76] Tucker, Jasmine V., Virginia P. Reno, and Thomas N. Bethell. Rep. *Strengthening Social Security: What Do Americans Want?*, 2013.
[77] Congress.gov. "Text - H.R.5723 - 117th Congress (2021-2022): Social Security 2100: A Sacred Trust." October 26, 2021. https://www.congress.gov/bill/117th-congress/house-bill/5723/text.
[78] Congress.gov. "Cosponsors - H.R.5723 - 117th Congress (2021-2022): Social Security 2100: A Sacred Trust." October 26, 2021. https://www.congress.gov/bill/117th-congress/house-bill/5723/cosponsors.

Ocasio-Cortez [D-NY-14], Representative Richard Neal [D-MA-01], Chairman of the House Ways and Means Committee, and Representative Tom Reed [R-NY-23].

Senator Mitt Romney [R-UT] reintroduced a bill called the TRUST on April 21, 2021 – Time to Rescue United States' Trusts Act, which aims to establish a rescue committee for Federal programs in critical need of funding[79]. This bipartisan bill has been cosigned by Senator Todd Young [R-IN], Senator Shelley Moore Capito [R-WV], Senator Rob Portman [R-OH], Senator John Cornyn [R-TX], Senator Mike Rounds [R-SD], Senator Kevin Cramer [R-ND], and Senator Cynthia Lummis [R-WY]. Democratic co-sponsors include Senator Joe Manchin [D-WV], Senator Kyrsten Sinema [D-AZ], Senator Mark Warner [D-VA], and Independent Senator Angus King [I-ME][80].

Additionally, in the Biden Administration's publication of the White House budget proposal for FY 2022, the proposal detailed $1.3 billion in funding for the Social Security Administration in order to compensate for the losses incurred during the pandemic, unemployment insurance, and to provide the trust funds with financing to ensure no immediate deficits for all programs covered under the Social Security Act – including the Retirement Insurance program. This is not the first time President Biden has voiced his interest in reforming the Social Security Act and refinancing the trust funds – during his campaign for the 2020 Presidential election, President Biden revealed a Social Security reform plan that would increase benefits for those at advanced ages within the

[79] Congress.gov. "Text - S.1295 - 117th Congress (2021-2022): TRUST Act of 2021." April 21, 2021. https://www.congress.gov/bill/117th-congress/senate-bill/1295/text.
[80] Congress.gov. "Cosponsors - S.1295 - 117th Congress (2021-2022): TRUST Act of 2021." April 21, 2021. https://www.congress.gov/bill/117th-congress/senate-bill/1295/cosponsors.

generation that is already in retirement, implement a minimum benefit for those who spend 30 years in the workforce, and equalizing tax benefits[81].

This policy proposal addresses and includes President Biden's proposed campaign goals, utilizes a budget that includes the White House's proposed budget for immediate resolution for the Social Security Administration's pandemic-related losses, and is likely to garner the President's support in its passage. Additionally, nonprofit organizations would not be affected by any change in the Retirement Insurance program's benefits and payroll taxes – nonprofit organizations that participate in contributing to Social Security are required (and will continue) to pay a 6.2 percent Social Security tax up to $142,800 of your earnings, which applies to each employee and employer[82].

For those self-employed at a nonprofit organization, it remains that those self-employed will pay the combined employee and employer amount of a 12.4 percent Social Security tax on earnings of up to $142,800 of net earnings. Furthermore, those nonprofit organizations that did not participate in Social Security taxes prior to the passage of this proposed bill will also remain unaffected[83]. Of the notable advocacy organizations that have sought out legislative support for the expansion of the Social Security Act and its refinancing, the nation's leading advocacy group has been the National Committee to Preserve Social Security and Medicare[84]. This organization, founded in 1982, has been an advocate for the expansion of the Retirement Insurance program and its funding. On the Social Security Administration's 2021 Annual Trustees' Report, the organization stated

[81] "Joe Biden's Plan For Older Americans: Joe Biden for President." Joe Biden for President: Official Campaign Website, August 3, 2020. https://joebiden.com/older-americans/.
[82] SSA GUIDANCE (SSA Publication No. 05-10042 § (2018). https://www.ssa.gov/pubs/EN-05-10042.pdf.)
[83] SSA GUIDANCE (SSA Publication No. 05-10042 § (2018). https://www.ssa.gov/pubs/EN-05-10042.pdf.)
[84] National Committee To Preserve Social Security And Medicare, U.S. National Committee to Preserve Social Security and Medicare NCPSSM. United States, 2002. Web Archive. https://www.loc.gov/item/lcwaN0000303/.

its stance that the Social Security program has a critical need for increased funding for more than 65 million Americans to receive their benefits[85].

Recommendation

The largest concerns with this policy proposal would be its unintended consequences on the American labor supply and the growth of the economy. However, this policy proposal seeks to be enacted in FY 2023, which will allow the proposed $250 billion stimulus to the trust funds to stand alone from the political and economic ramifications that could affect its success in 2021. By projecting the enactment of the proposed bill to 2023, the Biden Administration will not be concerned with an increased amount of federal borrowing in the wake of the COVID-19 pandemic and the economy's revitalization. Additionally, the proposed increased payroll tax rates will not have an immediate adverse effect on the reviving American workforce and the self-employed.

Additionally, the long-term effects the payroll tax could have on employment would be mitigated if unemployment is lower and GDP is higher at the time of enactment. The largest costs of this proposed legislation are associated with the regressive payroll tax, which would have larger consequences in the economy in FY 2021 as compared to an economy that has revived its workforce and experienced the growth from the stimulus packages the Biden Administration enacted to reduce unemployment. The largest costs of this proposal are associated with the condition of the American economy and the labor supply today.

[85] "Analysis of the 2021 Social Security Trustees Report." *National Committee to Preserve Social Security and Medicare*. NCPSSM, September 7, 2021. National Committee to Preserve Social Security and Medicare. https://www.ncpssm.org/documents/social-security-policy-papers/analysis-of-the-2021-social-security-trustees-report/.

With the costs of the proposal associated with the condition of the American economy and labor supply today, potential repercussions of the regressive payroll tax and $250 billion stimulus are relative – should the economic repercussions of its passage arise, those costs would be better mitigated within the next three years under the Biden administration as opposed to the larger costs the economy could bear in the 10 years following its passage in 2023 without the bipartisan support in Congress that exists today. The benefits of the Amendments are its overwhelming bipartisan support in the House and the Senate, and the support of a raise in regressive payroll taxes from the public-at-large. With current bipartisan support in the House and the Senate, its feasibility for being signed into law in 2021 and 2023 is high. These amendments would receive support from the public-at-large, advocacy organizations, and the Biden Administration as well.

This legislation would be the most recent in amendments to the Social Security Act since 1983 and would ensure that there be no other amendments or adjustments made to the Social Security Act for at least another 50 years. The administrative and technological capacities of the federal government have evolved since the previous amendments to ensure accessibility and effectively enact the adjustments to current and projected benefits. This proposal is unique in its unanimous support of key players – the Biden administration, Senators, Representatives in the House, the support of advocacy groups, and the consent of the governed – for an increase in regressive payroll taxes and a fiscal stimulus to refinance the Retirement Insurance program. In its support, these amendments are actionable prior to its proposed enactment in 2023.

This policy will be successful in restoring immediate funding for the Retirement Insurance program trust fund and amending the structure of the program to ensure longevity of the trust fund for the next 50 years. As has been successful historically, this proposal seeks to enact COLA adjustments to reflect current and future demographics and will ensure cyclical adjustments to continue to reflect future demographics and ensure that there will be no further need for expansive amendments to the Social Security Act.

Since this policy only seeks to establish changes to the trust funds of the Retirement Insurance program that has been done before, this policy is not any different in feasibility or application. Additionally, this proposal stands alone as a restructuring tool that will prevent an emergent need for COLA adjustments or interest rates to reflect any changes in the population for the future of the program.

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SAI SAMARCHITA (SUMMER) SINGH

EXPERIENCE

House Communications Standards Commission, Committee on House Administration
Digital Communications Professional Staff Member
2/2021 – Present

- Drafts Joint Commission reports on social media findings to refer to the Committee on Ethics and the Select Committee on Modernization. Presents joint guidance proposals with Ethics and SCOM.
- Walks House Democrats through required and strategic edits to their mass communications and offers advice on the use of official communications resources. Works with all Democratic House offices, including Freshman members, frontline members, and Committees.
- Creates content for and presents numerous Caucus-wide presentations on mass communication strategy, including presentations on social media advertisements, post engagement analytics, election blackout communications, general franking rules and best practices, etc.,
- Promoted within a seven-month timeframe for exceeding goals and supporting team culture.

Staff Assistant 7/2020 – 2/2021

- Provided one-on-one guidance to Democratic staffers on how to utilize office tools and House resources to share content and increase their Representative's social media engagement.
- Assisted the staff director and professional staff with research projects and administrative responsibilities.
- Assisted the Committee on House Administration with maintaining communications and logistics for the 2020 U.S. House New Member Orientation.

Congresswoman Donna Shalala, U.S. Representative (FL-27)
1/2020 – 6/2020
Congressional Intern

- Drafted constituent responses on issues related to the climate crisis, and constructed memos, press releases, and social media content regarding health policy, immigration, housing and veteran affairs.
- Conducted research and drafted language for the End Youth Vaping Epidemic Act and Surprise Billing Act.

Texas Innocence Network – Capital Division
8/2019 – 12/2019
Intern on post-conviction death penalty cases

- Investigated clients' backgrounds and records; reviewed transcripts of trials and pleadings from past appeals.

- Prepared credibility findings and represented the inmate through all subsequent stages.

Sexual Health Dissemination Lab
2018 – 2019
Research Assistant, The Sex Wrap Podcast

- Disseminated sexual health information to at-risk populations by utilizing Twitter analytics to track engagements and studied the effects of health promotion and harm reduction messages disseminated through peer groups and intimate partners in college classrooms.

EDUCATION

The Johns Hopkins University, Krieger School of Arts & Sciences Advanced Academic Programs
M.A., Public Management, Certificate in Data Analytics and Policy, *Summa Cum Laude*
December 2021

- **Capstone Project:** *Social Security Retirement Insurance Program Refinancing and Longevity*
- **Relevant Coursework**: Economics for Public Decision-Making, Global Political Economy, Financial Management & Analysis in the Public Sector.

University of Miami
B.A., Psychology, Minors in Spanish and Public Health, *The Provost's Honor Roll*
May 2019

- **Awards**: Canes Achievement Award, UM Enhancement Grant
- **Activities**: Silver Presidential Volunteer Service Award Recipient

London School of Economics and Political Science
Certificate of Achievement, International Law: Contemporary Issues
July 2018

PROFESSIONAL ORGANIZATIONS

Capitol Hill Community Service Association, Advisory Member
Women's Congressional Staff Association, Member
Democratic Digital Communications Staff Association, Member

SKILLS

Technology: Proficient in Excel, Fireside, e-dear colleague, Google Analytics, Photoshop, HTML, STATA, R.
Languages: Fluent in Spanish and Hindi.